

*Admin Budget Proposal***ROUTING AND RECORD SHEET**

SUBJECT: (Optional)

Retirement Changes

FROM:

Harry E. Fitzwater  
Deputy Director for Administration  
7D 24 Hqs

EXTENSION

NO.

DDA 85-0197/6

DATE

14 February 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

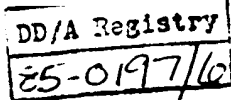
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OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.  
Director of Personnel*Bob,**This is a good paper that Ben prepared after our meeting. Thought you would like to see it.**On page 3 he refers to a paper that was written in the 60's on "Retirement Rationale". No you think you could find it and if so I'd like to read it.*

14 FEB 1985



S E C R E T

13 February 1985

Harry:

I appreciated the chance the other day to participate in the discussion on retirement. I've been thinking about it since and decided to send you these additional comments and observations. I'm sure there is nothing new here, but maybe another perspective might be of help.

Kathy was able to find in your files the attached copy of a paper I wrote in Feb '83, when the retirement reforms were first announced. I wrote other papers but they are probably buried in O/P. Although the attached is dated, e.g., the section on Social Security coverage, I believe that much of the discussion on the impact of the retirement reforms is still valid.

As I began my effort in early '83--within the Agency and with the Committee staffs--I developed and had agreement from the top to some basic guidelines for our pursuit of ways to avoid the full impact of the proposed reforms. They are inherent in the attached paper, but let me state them here more directly and expand on them:

1. First, the Agency would defend the current retirement equities for all employees and not take the easy way and speak to CIARDS only. To do otherwise would have a crippling effect on the Agency's management of about 80% of its employees. Moreover, isolating concern to CIARDS only would seriously weaken what I believe is the Agency's strongest argument in seeking relief--that the Agency needs a retirement system that allows early retirement for all. Early here means the current ages for voluntary retirement; under CIARDS, age 50; Civil Service, age 55.

2. Next, we would argue for relief from the proposed reforms not in behalf of our employees but, rather, in behalf of the Agency and its ability to fulfill its mission. Thus, we would talk about what the Agency needed in order to do its vital mission. In turn, this would make it easier to distinguish our mission from other agencies. By stressing our mission and not our people, we could avoid the rebuttal that would say our people aren't all that different than elsewhere. Sure the point is a subtle one, but it is a real one; when we argue about not being able to recruit needed talent and then retaining them, we can do so in the context of not being able properly to collect and analyze intelligence; when we talk about the problems of portability, we can talk about the

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risks to the national security of having a short term workforce; when we talk about not having to have RIFs, we do so in the context of not having large numbers of disaffected employees on the street angry at us and the obvious threat to security that represents. And so the arguments go.

3. Next, from the very beginning I had DCI, DDCI, and EXDIR agreements that even though all of the reforms would hurt, there was only one real gut issue--the lengthening of retirement eligibility without penalty from age 55 to age 65. Certainly, we would work hard to avoid all the changes, but if the crunch comes we would give up on all but the age issue. At the time, this was also State's emphasis.

--I argued successfully then and could do so again that early retirement is one of the most important elements of our personnel management system because so many positive, indeed vital, benefits accrue to the Agency when large numbers of our employees retire at ages much earlier than elsewhere in government: career opportunities we can offer recruits, the rewards of promotion and advancement to significant levels we can offer to promising officers; the substantial headroom that has traditionally been created at the mid to higher grades by a policy which encourages employees to retire as soon as they are eligible and a retirement system that allows them to do so; the avoidance of RIFs for employees who are blocking the paths of more productive officers; the attraction of serving a full career yet being able to retire at an age early enough to allow a second career.

--Our belief in this area is not a new one. I wrote a paper which showed that as early as the mid-1950's, the Agency was becoming deeply concerned about excessively long careers and the impact this could have on the management of employees and our mission fulfillment. In turn, the Agency began to develop a policy that encouraged early retirement. The effort led to what was then a dramatic and gutsy policy that required all employees to retire at age 60. (At the time we were all under the Civil Service Retirement System.)

--When the "mandatory" policy was first announced and for a few years thereafter, there was violent reaction by employees affected, and some even threatened to take us to court. The Agency, convinced that what it was doing was sound and best for the Agency, held firm and the policy finally took hold. In large measure, the policy succeeded because of an entirely new and innovative program, the pre-retirement counselling program. Aimed at preparing employees for the time of retirement, there was a dramatic change in the attitude of the employee population; not only

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did the resistance to the "mandatory policy," which required retirement generally at age 60, change but employees began to retire at even earlier ages. Even when we eliminated the policy in the mid-70's for Civil Service types (not because our view on the benefits of early retirement had changed but only as a price to pay for getting certain benefits for CIARDS), employees still retired early, and at ages far younger than elsewhere in government.

--This discussion on our old "mandatory" retirement policy is relevant only to make the point that for about 30 years of the Agency's 37 years of life, it has believed it crucial to its mission to have a policy that encouraged retirements at ages much earlier than elsewhere in government. One need only review the statistics, some of which are attached to my paper, to prove the point.

--One last point on the old policy. As part of the staff papers associated with that "mandatory" policy a Retirement Rationale was prepared. It sets forth the reasoning underlying this policy in the event we were ever taken to court. You should get this paper and read it because it is a strong statement and the substance is as valid today as it was then. In fact I used it to advantage in my preliminary discussions in 1983 with staff of our committees.

--From all of this you can see that while the Congress might not now accept as valid our concerns about retirement ages they cannot accuse us of emotionally creating the concerns merely because the reforms will hurt our people. History is on our side, and we should crank our thirty year track record into any oral or written presentations that are made.

Other comments, if I may:

25X1 1. Last week you mentioned certain views expressed by   
Obviously, I have not seen his paper, but you mentioned three items:

--Uniqueness: I agree with Jim that pinning an argument for an exemption on the uniqueness of our employees will not wash. No matter how we feel about our employees and the rigors of Agency employment, it is only our view about our employees. Other agencies or departments could make the same case for their employees and you end up with a debate as to who is or is not unique; reasonable people can differ with us. Indeed, some people might even suggest that we are overworking our emphasis on the uniqueness of our employees. Moreover, you run the serious risk of having the Congress agree that our CIARDS people in fact are unique but that the others are not and we could end up with an exemption for only CIARDS type employees. As discussed above, this could be fatal.

--Where we can argue uniqueness forcefully is on our mission and here we can beat down most other efforts at comparison. Our enabling statute, our special authorities, our existing exemptions from other statutes make the case for us: Congress has already recognized that CIA's mission is unique, is crucial, is different from the rest of government. An exemption from the retirement reforms is merely another manifestation of Congress' acceptance of this fact.

--Portability: Being able to take your retirement system with you within government and between government and the private sector was cited as a positive feature of the 1983 social security reform. For us it is a disadvantage; more than that it represents a potentially serious security problem. See my paper, para. f, page 3 of the first attachment to my memorandum.

--CIA Funding: As I understood this, Jim wondered if it would be a selling point, in seeking an exemption from the retirement proposals and for a special supplemental system, for us to agree to absorb the costs involved without special appropriations. O/P is now costing out the idea, but unless I'm gravely mistaken, this is a bullet you'd better bite very carefully. You need only look at the actuarial projections of CIARDS, which Finance gets every five years, multiply them by 4 or five times, and in the long term, you may be talking about billions. Add to these costs the administrative costs of running another system. Now for the Civil Service types, by far the larger number of retirees and annuitants, the budgeting and funding problems belong to OPM.

## 2. Supplemental System:

--I know there has been a lot of staff work prepared on the form and substance of a supplemental system and perhaps for changes in existing retirement coverages. I haven't seen any papers but understand that a range of options has been discussed. Let me only suggest to you that this is not the time to be greedy. At a time when budget deficits are getting intense attention and at a time when employees and their organizations will be fighting for their lives to keep what they have it would be, in my judgement, unwise at best and arrogant at worst to try to get more. I understand there was some discussion about trying for a 2 1/2% formula for CIARDS and a straight 2% formula for Civil Service types. You might be able to pull this off. More likely,

you will get laughed out of the room and lose all credibility. These additional benefits carry a very heavy price tag and I don't see how the Congress could possibly consider any program that adds, not reduces, to the costs of retirement.

--In my own preparation and thinking on the form and substance of a supplemental system, and staying with the conviction that the existing systems and retirement ages best served the Agency, I got approval to develop a supplemental system that paralleled the existing Civil Service Retirement and CIARDS system, modified in such a way to dovetail with Social Security benefits. Just before I left Personnel in August 1983 I had meetings with [redacted] and [redacted], an actuary. Both are still being used by O/P. Both said that developing such a system was feasible. More importantly, Hustead was then working on a contract for the House Civil Service Committee and he had similar instructions from them. Develop a supplemental system that was equivalent to the current Civil Service benefits but modified in such a way as to also draw on Social Security benefits, when payable. The advantages are clear. The Agency could draw on all of the arguments for early retirement, discussed in detail above; as far as the affected employees are concerned they wouldn't be all that different from those on board prior to 1 January 1984. I still think this approach has merit, but perhaps the others being considered have more merit.

### 3. Timing:

--I strongly agree with you and Bob Magee that you have to convince everyone that there is no need to panic, no need to rush. Two years ago I was pressured into moving forward at a time when it was clear that nothing was going to happen and I told everyone that. Nothing did happen, and I think we are in much the same posture today as then. That is not to say we should sit still; obviously, we should do our homework, and for that matter start some kind of an effort with the Congress.

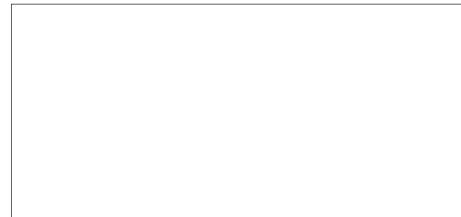
--If Bob's soundings from the Hill indicate that nothing will happen on the retirement reforms, we can then concentrate on the supplemental. At the same time, however, the formal Agency position on the retirement package can be worked on but more carefully and deliberately. If the soundings indicate that the Congress will be taking on both the supplemental and the retirement reforms, then obviously we have to prepare for both and our work will be cut out for us. My own view is that the Administration will not be able

to sell its entire retirement package, but that the Congress will find some of the proposals attractive, e.g., change from high 3 to high 5, additional costs to employees, and perhaps the sick leave proposals. In some ways it may be harder to prepare to fight incremental changes than it would the entire package.

--We are not without support for relief from the retirement proposals and for a supplemental retirement package suited to our needs. Specific commitments were made to me by staff members of both Committees. In fact, at my request, Ed Levine, then the aide to Sen Durenburger got the Senator to put a strong statement of support in the Congressional Record; similarly, Mike O'Neil got Chairman Boland to send the DCI a strong letter of support and understanding. Once we prepare the scenario, the plan you and Magee were talking about, I suggest you start with those two expressions of support in initiating the Agency's legislative effort on the retirement reforms, the supplemental system, or both.

1. Lastly, you need to get everyone out of this business except those charged with the responsibility, the point Bob made last week. We need a single Agency position--the best and strongest that can be developed--and it serves no purpose, indeed it can be dangerous, to have all kinds of people flailing away and expressing uninformed views to Congress and elsewhere. Things are going to be rough enough for you and Magee as it is.

5. I hope these comments are helpful. I have offered them only for that purpose.



Attachment:  
As Stated